What makes a good annual report?

The definition of "useful information" has evolved considerably, alongside the changing needs and desires of investors and stakeholders. BY HANNY KUSNADI

As a university professor, I am privileged to be constantly surrounded by inquisitive young minds with an insatiable thirst for knowledge.

Among the thousands of students who have attended my lectures, there is always one recurring inquiry that captures the very essence of corporate communication: “What constitutes a good annual report?”

While this question might seem straightforward, the answer is often far from simple.

The annual report serves as a critical strategic communication tool. It provides a concise and dynamic narrative through which a company communicates its journey—its past triumphs, its current challenges, and its aspirations.

Annual reports wield the power to shape perceptions, establish trust, influence sentiment and foster connections with stakeholders. Given the significant role of annual reports in the corporate landscape, the Best Annual Report Award (Best ARA), introduced in 1974, aims to promote excellence in corporate reporting that surpasses minimum regulatory requirements.

This award encourages transparency that caters to the needs of investors, as well as other stakeholders such as employees, creditors and the public.

Presented as part of the Singapore Corporate Awards (SCA), the Best ARA recognises listed companies on the Singapore Exchange (SGX) that exhibit exemplary reporting in their annual report.

As a member of the judging panel for this year’s Best ARA, I revisited the profound question of what constitutes a good annual report. While a concise answer typically emphasises useful information, the definition of “useful information” has evolved considerably, alongside the changing needs and desires of investors and stakeholders.

From a mandated standardised compliance document centred around shareholder value, the annual report has progressively shifted its focus to additionally emphasise stakeholder value.

Investors and stakeholders now seek a diverse, holistic, and multifaceted understanding of a company. The judging panel for the Best ARA has thus established thorough assessment criteria that reflect the multi-dimensional expectations from an annual report.

Companies are evaluated across several dimensions: performance review, business plan and prospects, risk assessment and management, environmental, social, and governance (ESG) considerations and accountability, as well as overall informativeness and clarity of the reports.

This year, the Gold Awards for Best ARA were given to DBS Group Holdings in the big-cap category (market capitalisation of $51 billion and above), SBS Transit in the mid-cap category (market capitalisation of $300 million to less than $51 billion), and Banyan Tree Holdings in the small-cap category (market capitalisation of under $300 million). Capitaland Ascendas Reit secured the top prize in the REIT and business trust category.

**Transparency with perspective**

Transparency serves as a core foundation of trust, as information loses its usefulness in the absence of trust.

Companies that confidently articulate stakeholders’ needs and interests into their strategy and evaluate their business with openness and clarity enable them to make well-informed decisions.

However, it is important to highlight that transparency in isolation is naive, because it can lead to information overload and indigestion. Both insufficient and excessive transparency can ultimately become unachievable.

What is vital for companies is to provide transparent information that offers perspective, encompassing not only positive developments, but also addressing negative aspects responsibly.

Companies should adeptly articulate their narrative in a succinct, yet compelling, manner to effectively convey the message of value creation.

The recipients of this year’s Best ARA are able to skilfully immerse readers in an engaging exploration of the company’s essence.

DBS’ commitment to the integrated reporting framework shines through in its annual report, effectively communicating the key drivers of its business value.

In addition to concrete analyses of strategic objectives and progress, diverse insights and commentaries from its top management team also help to shed light on the group’s strategies to preserve and enhance long-term value.

While employing a more traditional reporting format, SBS’ annual report breaks a well-structured design, facilitating seamless navigation through its narrative and data.

Banyan Tree’s annual report equally captures the brand’s essence, and illustrates how the company’s guiding vision and principles manifest in its actions and performance.

**Understanding, not just informing**

Similar to a skilled maestro elevating a musical score through orchestration, providing transparency with contextual perspective is paramount in facilitating understanding.

Some reports merely fulfill minimum requirements, offering a laundry list of common content that fails to add substantial value or insights.

How often have we experienced moments of deja vu while perusing annual reports, that lingering sensation of having encountered the same information elsewhere before?

Descriptive and genuine explanations play a pivotal role in augmenting transparency, and when combined with engaging visual aids, can truly distinguish a report.

For example, DBS minimises boilerplate statements in the qualitative descriptions of its annual report, and Capitaland Ascendas Reit’s succinct presentation in the “Manager’s Review” section is both informative and easy to comprehend.

DBS underscores additional measures to reinforce its corporate governance, and Banyan Tree provides a thoughtful assessment of its gender parity, revealing gender pay gaps and outlining future steps.

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for improvements.
Transparent disclosures like these raise the relevance and useful-
ness of information provided.
As a general improvement, companies might consider being
more transparent in how their previously announced aspirations
jibe with what they actually did and how successful they were.
This is particularly crucial for innovation initiatives because of
their importance for future growth and also the high uncertainty asso-
ciated with such initiatives that can require significant financial in-
vestment and managerial attention.
Governance of innovation – a key area of my research – repres-
ents an avenue in which increased transparency can be fruitful.
Enhancing stakeholder engagement on sustainability
As the spotlight shifts towards the creation of reputational value, mere
financial performance is no longer sufficient.
Beyond profits and a strong tra-
jectory, companies are now ex-
pected to demonstrate commit-
tment to societal and environment-
ally well-being.
As Minister for Sustainability
and the Environment Grace Fu re-
cently commented, business lead-
ers need to “think beyond the next
quarter of earnings report” and de-
liberate on “sustaining its business
for decades to come, leaving a lega-
cy that lasts far into the future”.
Therefore, companies that ac-
knowledge the imperative of long-
term sustainability, and invest ef-
forts to realise it, can forge deeper
connections with their stakehold-
ers.
The ability to effectively com-
unicate their dedication to the
sustainability cause can further
enhance stakeholder engagement.
The award-winning companies
produce high-quality comprehen-
sive sustainability reports, refer-
encing frameworks such as the
Global Reporting Initiative, Sus-
tainability Accounting Standards
Board, United Nations Sustainable
Development Goals, and the Task-
Force on Climate-related Financial
Disclosures.
They provide quantitative data
and other evidence on the identifi-
cation, measurement and align-
ment of their short-term and long-
term targets within the relevant
frameworks.
DBS’ sustainability report out-
lines its sustainability approach
through its three pillars, disclosing
key performance indicators and
progress towards various targets,
such as its net-zero agenda.
Similarly, SBS and Banyan Tree
provide quantitative disclosures
on environmental sustainability
aspects such as water and waste,
along with insights into commu-
nity impacts through inclusive so-
cial initiatives.
Despite general improvements in
sustainability reporting since
their mandate in 2018, we observe
notable differences in the scope
and depth of sustainability disclo-
sures across various categories of
firms that we evaluated.
For instance, more big-cap com-
panies engage independent assu-
rance for their sustainability re-
ports – a direction smaller and mid-
cap companies can also aspire to
pursue in order to enhance ac-
countability.
There is room for companies to
improve their reporting of envi-
ronmental strategies and impact.
And it is important for companies
to focus on key areas most relevant
to their business and stakeholders,
rather than just ticking the boxes.
I note that a number of compa-
nies are issuing separate sustaina-
bility reports. Personally, I view
that a potential pitfall exists within
this segregated reporting ap-
proach that necessitates some cau-
tion.
To explain, there is a discernible
trend among companies to reallo-
cate a substantial portion of risk-
related disclosures from the main
annual reports to the sustainabili-
ity reports.
As a result, readers are forced to
navigate between two discrete re-
ports to gain a comprehensive un-
derstanding of the company, and
this might foster confusion.
Furthermore, this disparity might
engender a sense of disjoi-
tedness from the core annual re-
port, creating an impression that
the sustainability report is merely
an appendage rather than an inte-
gral part of the annual report.
A more thoughtful exploration
of alternative integrated reporting
methodologies is certainly war-
ranted.
Many of my students often ex-
press the daunting nature of read-
ing an annual report – a sentiment
likely shared by many. With an av-
erage annual report running to
more than 120 pages, readers can
become overwhelmed.
Adding another 100 pages of a
sustainability report, one can eas-
ily imagine a collective sigh from
my students when they realise that
they must review not one, but two,
extensive reports to obtain a holis-
tic view of a company’s operations.

Harmonising a good annual report
Reading an annual report should be
an enjoyable endeavour.
Just as different sections of an
orchestra collaborate to create a
captivating musical journey, a
strong annual report harmonises
financial and non-financial ele-
ments into an engaging symphony
that resonates with stakeholders.
These attributes have certainly
been demonstrated by this year’s
winners of the Best ARA, and their
commitment and effort in produc-
ing high-quality reports are com-
memorable.
However, not everyone has the
ability to create masterpieces.
I’ve observed that the same small
group of companies consis-
tently makes the shortlist for the
Best ARA year after year.
Some companies – perhaps with
fewer resources to produce the
highest-quality reports – may find
it challenging to ascend to the top
ranks. But that does not imply that
they are not continually striving to
raise the bar.
Beyond solely celebrating the
best, we should also contemplate
recognising companies that dis-
play remarkable effort and dedica-
tion to enhancing the quality of
their annual reports. This would
inspire other companies to also
raise their game.
This brings us back to the ques-
tion of what makes a good annual
report.
I firmly believe that an effective
annual report is grounded in trans-
parency, and offers perspectives
that weave together a concise yet
compelling narrative.
This narrative not only imparts
valuable information but also cap-
tivates stakeholders, thereby em-
powering them to make well-in-
formed decisions.
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